

HOUSE BILL NO. 784

INTRODUCED BY E. BUTCHER

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A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR AN INDIVIDUAL INCOME TAX AND CORPORATION LICENSE TAX HOLIDAY UPON A DECLARED STATE BUDGET SURPLUS; PROVIDING THAT WITHHOLDING AND ESTIMATED PAYMENTS ARE SUSPENDED AND INDIVIDUAL INCOME TAX RATES AND THE CORPORATION LICENSE TAX RATE ARE REDUCED TO REFLECT THE BUDGET SURPLUS; AMENDING SECTIONS 15-30-103 AND 15-31-121, MCA; AND PROVIDING AN EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. Section 1. Income and corporate tax holiday upon declaration of state budget

surplus. (1) If there is a general fund budget surplus, corporation license tax and individual income tax withholding and estimated tax payments must be suspended and corporation license tax and individual income taxes must be reduced as provided in this section.

(2) (a) The suspension of corporation license tax and individual income tax withholding and estimated tax payments is effective on the first day of the month occurring at least 14 days after the date of the certification of the general fund budget surplus, and the suspension continues through the following June 30.

(b) For individual income tax purposes, withholdings made by an employer prior to the effective date of the suspension must be remitted to the department according to the employer's remittance schedule under 15-30-204. To account for a suspension that occurs at other than the end of a fiscal quarter, annualized installments of estimated individual income tax payments may be made under 15-30-241(4) based upon the tax reduction authorized in subsection (3)(a).

(c) For corporation license or income tax purposes, to account for a suspension that occurs at other than the end of a fiscal quarter, a taxpayer shall adjust estimated tax payment amounts under 15-31-502 based upon the tax reduction authorized in subsection (3)(a).

(3) (a) For the tax year in which a general fund budget surplus occurs, the amount of tax shown on the taxpayer's return that designates the tax year's liability before application of estimated payments, withholding, credits, penalties, or interest must be reduced by the ratio established in subsection (3)(b) and any tax credits,

1 including carryover tax credits, allowed the taxpayer must be reduced by the ratio established in subsection (3)(b).
2 A taxpayer's net tax liability is determined as provided in chapter 30 or 31, as applicable, but is calculated with
3 the reduced gross liability and reduced credits determined under this subsection (3). The resulting net tax liability
4 is considered the tax imposed by 15-30-103 or 15-31-121, as applicable.

5 (b) The tax reduction ratio is the number of months withholding is suspended under subsection (2)
6 divided by 12.

7 (4) (a) As used in this section, "general fund budget surplus" means a determination made by the budget
8 director and certified to the governor that general fund revenue has exceeded the amount necessary to pay
9 general fund obligations for the current fiscal year by more than \$50 million.

10 (b) In determining the general fund budget surplus, the budget director shall take into account revenue,
11 established levels of appropriation, anticipated supplemental appropriations for school equalization aid, and
12 anticipated reversions.

13

14 **Section 2.** Section 15-30-103, MCA, is amended to read:

15 **"15-30-103. Rate of tax.** (1) ~~There~~ Except as provided in [section 1], there must be levied, collected,
16 and paid for each tax year upon the taxable income of each taxpayer subject to this tax, after making allowance
17 for exemptions and deductions as provided in this chapter, a tax on the brackets of taxable income as follows:

- 18 (a) on the first \$2,300 of taxable income or any part of that income, 1%;
19 (b) on the next \$1,800 of taxable income or any part of that income, 2%;
20 (c) on the next \$2,100 of taxable income or any part of that income, 3%;
21 (d) on the next \$2,200 of taxable income or any part of that income, 4%;
22 (e) on the next \$2,400 of taxable income or any part of that income, 5%;
23 (f) on the next \$3,100 of taxable income or any part of that income, 6%;
24 (g) on any taxable income in excess of \$13,900 or any part of that income, 6.9%.

25 (2) By November 1 of each year, the department shall multiply the bracket amount contained in
26 subsection (1) by the inflation factor for that tax year and round the cumulative brackets to the nearest \$100. The
27 resulting adjusted brackets are effective for that tax year and must be used as the basis for imposition of the tax
28 in subsection (1) of this section."

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30 **Section 3.** Section 15-31-121, MCA, is amended to read:

1 **"15-31-121. Rate of tax -- minimum tax -- distribution of revenue.** (1) Except as provided in [section
2 1] and subsection (2) of this section, the percentage of net income to be paid under 15-31-101 is 6 3/4% of all
3 net income for the tax period.

4 (2) For a taxpayer making a water's-edge election, the percentage of net income to be paid under
5 15-31-101 is 7% of all taxable net income for the tax period.

6 (3) Each corporation subject to taxation under this part shall pay a minimum tax of not less than \$50.

7 ~~(4) For fiscal year 2005, the tax collected from water's-edge corporations must be deposited as follows:~~

8 ~~—— (a) \$375,000 in the state special revenue fund to the credit of the department of public health and human~~
9 ~~services for state matching funds to maximize federal funds for medicaid health services; and~~

10 ~~—— (b) the balance in the state general fund."~~

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12 NEW SECTION. **Section 4. Codification instruction.** [Section 1] is intended to be codified as an
13 integral part of Title 17, and the provisions of Title 17 apply to [section 1].

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15 NEW SECTION. **Section 5. Effective date.** [This act] is effective July 1, 2007.

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